REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON LETHABONG HOUSING INSTITUTE

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. We have audited the accompanying financial statements of the Lethabong Housing Institute, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA), and Companies Act, 2008 (Act No. 71 of 2008), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice *1111 of 2010* issued in Government Gazette *33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lethabong Housing Institute as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Account Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and the Companies Act, 2008 (Act No. 71 of 2008).

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Going concern

9. Note 17 to the financial statements indicated that the entity's ability to continue as a going concern was dependent on the support from the controlling entity. This condition, along with other matters included in the note indicated the existence of a material uncertainty that may cast doubt on the entity's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on the annual performance report as set out on pages xx to xx and material non-compliance with laws and regulations applicable to the municipal entity.

Predetermined objectives

Presentation of information

11. No material findings to report.

Usefulness of information

12. The reported performance information was deficient in respect of the following criteria:

    - Measurability. The indicators are not well-defined and verifiable, and targets are not specific and time-bound.

13. The following audit findings relate to the above criteria:

Planned and reported indicators are not well defined

14. For the selected objectives, 50% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently

Planned and reported indicators are not verifiable

15. For [illegible] selected objectives valid performance management processes and systems that pr[illegible] actual performance against the planned indicators did not exist for 25% of the in[illegible]rs.

Plann[illegible]d reported targets are not specific and time bound

16. Fo[illegible] selected objective, 25% of the planned and reported targets were not:

- [illegible]cific in clearly identifying the nature and the required level of performance;
- [illegible]e-bound in specifying the time period or deadline for delivery.

INTER[illegible]L CONTROL

17. In [illegible]rdance with the PAA and in terms of *General notice 1111 of 2010*, issued in [illegible]*ment Gazette 33872 of 15 December 2010*, I considered internal control relevant to [illegible]t, but not for the purpose of expressing an opinion on the effectiveness of internal c[illegible] The matters reported below are limited to the significant deficiencies that resulted in th[illegible]ngs on the annual performance report.

Lead[illegible]

18. T[illegible]ounting officer did not exercise oversight responsibility regarding financial and p[illegible]ance reporting and compliance and related internal controls which resulted in the fin[illegible] on performance information.

Finanolal and performance management

19. No matters to report.

Governance

20. No matters to report.

Auditor - General

Johannesburg
30 November 2011